

## HSBC India Manufacturing PMI™

Marked growth of Indian manufacturing output sustained in March

### Summary

The seasonally adjusted HSBC Purchasing Managers' Index™ (PMI™) – a headline index designed to measure the overall health of the manufacturing sector – posted 57.9 in March, unchanged since February. The latest reading indicated a marked strengthening of business conditions in the Indian manufacturing sector, that remained above the long-run trend.

Indian manufacturers reported a substantial increase in new business received during March. Moreover, the rate of new order growth accelerated to a thirty-one month high. Panellists commented that the high quality of products and ongoing improvements in general economic conditions had helped to boost new work intakes. In contrast, March's rise in new export business was marginally slower than in the previous survey period. Nonetheless, the expansion remained strong in the context of historical data.

The sharp growth of overall new orders supported a further increase in output. However, the rate of output growth was broadly in line with that indicated in February. Subsequently, backlogs of work rose again, and at the fastest rate in four months. Anecdotal evidence suggested that shortages of materials and manpower also contributed to the accumulation of outstanding business.

March data signalled a marginal rise in stocks of finished goods at factories in India. Where an increase in post-production inventories was indicated, this was attributed to strong output growth.

Employment in the Indian manufacturing sector fell for a third consecutive month in March, as manufacturers continued to struggle to fill vacant positions.

Purchasing activity rose substantially during March, reflective of the sustained expansions of new orders and output. Moreover, the increase in input buying was the fastest since February 2008. Subsequently, stocks of purchases also rose. Suppliers' delivery times shortened fractionally during March, but the majority of panellists indicated that lead times were unchanged since February.

Inflationary pressures intensified during March, as both input and output prices rose at faster rates than in the previous survey period. Input cost inflation was the strongest in the series history, driven by higher raw material prices. This led to a further marked rise in charges, which was the second-fastest in the history of the series.

### Comment

Commenting on the India Manufacturing PMI survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

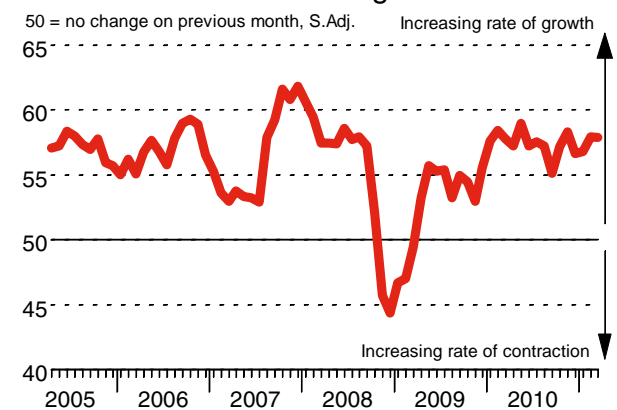
*"The momentum in India's manufacturing sector held up well in March, suggesting that growth is not an immediate concern. Output growth kept up the pace and the inflow of new orders accelerated, holding promise of a continued strong momentum in output in the months ahead. However, capacity constraints are tight as reflected in the increase in the backlog of works. Also, manufacturer's are facing ever steeper increases in input costs due to tight labour markets and rising material costs, which are increasingly being passed on to output prices. In turn, this calls for further tightening of monetary policy to tame inflation pressures."*

### Key points

- New order growth fastest since August 2008.
- Capacity constraints highlighted by a marked rise in backlogs of work.
- Inflationary pressures intensified.

### Historical Overview

#### HSBC India Manufacturing PMI



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**Notes to Editors:**

The HSBC India Report on Manufacturing is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 500 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on regional and industry contribution to Indian Industrial Production. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index (PMI) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

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